

Message Text

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ACTION EB-08

INFO OCT-01 IO-13 ISO-00 AF-10 ARA-10 EA-10 EUR-12
NEA-10 L-03 FRB-03 OMB-01 ITC-01 SP-02 AGRE-00
AID-05 CIAE-00 COME-00 INR-10 LAB-04 NSAE-00
OIC-02 SIL-01 STR-07 TRSE-00 CEA-01 SS-15 ICAE-00
INRE-00 SSO-00 NSCE-00 /129 W
-----087895 111359Z /50

O 111327Z JUL 78
FM USMISSION GENEVA
TO SECSTATE WASHDC IMMEDIATE 1869
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY OTTAWA
AMEMBASSY PARIS
AMEMBASSY TOKYO
USMISSION USUN NEW YORK

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USEEC

E.O. 11652: N/A
TAGS: UNCTAD, ETRD
SUBJECT: UNCTAD AD HOC INTERGOVERNMENTAL COMMITTEE (AHIC)-
COMMON FUND DISCUSSION

REF: 172368

1. UPON RECEIPT REFTEL, WE NOTIFIED GERMAN, FRENCH,
BRITISH, CANADIAN AND JAPANESE DELEGATIONS SEPARATELY THAT
U.S. DID NOT CONSIDER THAT CONDITIONS WERE PROPITIOUS FOR
A DECISION TO SCHEDULE A RESUMED NEGOTIATING CONFERENCE ON
THE COMMON FUND. WE STRESSED UNFORTUNATE REPERCUSSIONS OF
ANOTHER FAILED CONFERENCE AND SUGGESTED THAT BEST APPROACH
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WOULD BE FOR AHIC TO ASK SECRETARY GENERAL COREA TO PROPOSE
WAYS TO PURSUE INFORMAL CONSULTATIONS IN ONE FORM OR
ANOTHER. WHILE WE WERE WILLING TO CONSIDER FALL AS
"TARGET" FOR RESUMED CONFERENCE, WE BELIEVED IT WOULD BE
MISTAKE TO TAKE FORMAL DECISION TO RESCHEDULE AT THIS TIME
AND IN ABSENCE OF REASONABLE EXPECTATION THAT RESUMED CON-
FERENCE COULD SUCCEED. ALL OF THESE DELEGATIONS, EXCEPT

JAPANESE WHO WERE NON-COMMITTAL, HAD BASIC SYMPATHY FOR OUR VIEWS AND TENDED TO AGREE THAT IT WOULD BE MISTAKE TO TAKE DECISION TO RESCHEDULE NEGOTIATING CONFERENCE AT THIS TIME. HOWEVER, NONE OF THEM WERE WILLING TO ACTIVELY OPPOSE RESCHEDULING IF COREA AND G-77 WANTED DECISION TO THIS EFFECT AT THIS MEETING. THEY APPEARED WILLING TO TAKE POSITIONS WHICH WOULD BE CRITICAL OF DECISION TO RESCHEDULE AND WHICH WOULD MAKE IT CLEAR THAT SUCH DECISION WAS BEING TAKEN ON INITIATIVE OF G-77 AND COREA BUT WERE UNWILLING TO GO BEYOND THAT. FRENCH SAID THEIR POSITION HAD ALWAYS BEEN WILLINGNESS TO GO BACK TO NEGOTIATING TABLE AT ANY TIME IF G-77 LIFTED PRECONDITIONS, WHICH THEY NOW SEEMED PREPARED TO DO.

2. WE ALSO INFORMED SYG COREA OF U.S. VIEWS. HE SAID THAT HE CONSIDERED INFORMAL CONSULTATIONS HAD CARRIED SUBJECT ABOUT AS FAR AS POSSIBLE AND THAT SUBSTANTIAL FURTHER PROGRESS SEEMED TO REQUIRE A DECISION TO RECON- VENE THE FORMAL NEGOTIATING CONFERENCE.

3. IN HIS PRESENTATION TO AHIC MORNING JULY 10, COREA REVIEWED INFORMAL CONSULTATIONS HE HAS HELD IN RESPONSE TO GA AND AHIC DECEMBER DECISIONS. HE NOTED THAT DECEMBER NEGOTIATING CONFERENCE WAS SUSPENDED BECAUSE OF FAILURE TO REACH AGREEMENT ON TWO BASIC ISSUES -- WHETHER THE COMMON FUND WOULD BE EMPOWERED TO FINANCE MEASURES OTHER LIMITED OFFICIAL USE

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THAN BUFFER STOCKS THROUGH A SECOND WINDOW AND THE FINANCIAL STRUCTURE OF THE CF, I.E., WHETHER THERE WOULD BE DIRECT GOVERNMENT CONTRIBUTIONS OR NOT. HE ALSO NOTED THAT THERE IS A THIRD MAJOR ISSUE, VOTING AND DECISION-MAKING, WHICH IS CENTRAL AND WHICH HAS NOT BEEN THE SUBJECT OF INTENSIVE DISCUSSION AT THE DECEMBER MEETING. COREA EXPRESSED THE VIEW THAT AGREEMENT IS NOT CONCEIVABLE IF FINANCING OF OTHER MEASURES IS NOT PROVIDED FOR AND IF THE CF'S CAPITAL STRUCTURE IS PREDICATED SOLELY ON POOLING. HE REFERRED TO THE MEETING WITH BANKERS WHICH ENCOURAGED HIM IN HIS VIEWS. HE SAID HE HAD COME AWAY FROM THE SERIES OF CONSULTATIONS WITH TWO BROAD IMPRESSIONS: (1) THERE IS A UNIVERSAL DESIRE ON THE PART OF GOVERNMENTS TO BRING THE COMMON FUND ISSUE TO A SUCCESSFUL CONCLUSION AND (2) WHILE THERE HAS BEEN MOVEMENT ON THE BASIC ISSUES IN RELATION TO THE DECISION IN DECEMBER, WE HAVE STILL NOT REACHED A POINT OF COMPLETE AGREEMENT. IN PRINCIPLE, THE SECOND WINDOW SEEMS TO HAVE GAINED MUCH WIDER ACCEPTANCE BUT IT CANNOT BE SAID THAT EVERY COUNTRY ENDORSES THE IDEA WITHOUT HESITATION. MOREOVER, THE SCOPE AND MODALITIES OF THE SECOND WINDOW STILL NEED TO BE DEFINED ON AN AGREED BASIS. CONCERNING

THE FINANCIAL STRUCTURE, THERE IS GREATER ACCEPTANCE OF
THE CONCEPT OF DIRECT CONTRIBUTIONS OF RELATIVELY
LIMITED AMOUNTS, CONCERNING WIDER
RESOURCES, BUT THERE IS STILL NEED FOR AGREEMENT ON AN
APPROPRIATE MAGNITUDE AND THE PRINCIPLES THAT WOULD
GOVERN DISTRIBUTION AMONG MEMBER GOVERNMENTS. THERE IS
ALSO MUCH GREATER APPRECIATION OF HAVING A RATION OF CASH
RESOURCES THAT WOULD GIVE ADEQUATE REPLIES TO GOVERNMENTS.
HOWEVER IT CANNOT BE SAID THERE IS A FULL MEETING OF
MINDS. THE QUESTION WE NEED TO ASK OURSELVES IS WHAT
STEPS SHOULD BE TAKEN FROM NOW ON. HE SAID HIS VIEW IS
THAT IT IS UNLIKELY THAT PROGRESS CAN BE VASTLY ACCELER-
ATED IN ABSENCE OF A SPECIFIC DECISION TO RECONVENE

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THE CONFERENCE AT A SPECIFIC DATE. THE KIND OF CON-
SULTATIONS WE HAVE HAD HAVE BEEN USEFUL IN ELICITING BROAD
REACTIONS BUT NOT FIRM DECISIONS. CONSEQUENTLY, A
DECISION SHOULD NOW BE TAKEN TO RECONVENE AND TO SET A
DATE. WORK SHOULD OF COURSE GO ON BETWEEN NOW AND THE
TIME OF THE CONFERENCE THROUGH SMALL, REPRESENTATIVE BUT

HOPEFULLY INFORMAL DISCUSSIONS. AN APPROPRIATE DATE COULD BE PICKED IN OCTOBER OR NOVEMBER BUT BECAUSE OF LIMITATIONS ON CONFERENCE FACILITIES, THE MEETING WOULD HAVE TO BE HELD TO TWO WEEKS. SUCH A SHORT CONFERENCE IMPLIES THAT IT WOULD NOT BE POSSIBLE TO ACCOMPLISH ALL THE WORK, BUT IF THAT MEETING ACHIEVED A BREAKTHROUGH ON THE BASIC ELEMENTS, THE ARTICLES OF AGREEMENT COULD BE LIMITED OFFICIAL USE

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WORKED OUT LATER.

4. AT GROUP B MEETING AFTERNOON JULY 10, AMBASSADOR HESSEL, NEW GROUP B COMMON FUND COORDINATOR, SUGGESTED ORALLY THAT GROUP B SPEAK ALONG FOLLOWING LINES ON CF ISSUE IN STATEMENT TO BE MADE JULY 12: GROUP B HAS NOTED THE VIEWS EXPRESSED BY SECRETARY GENERAL COREA CONCERNING THE RESUMPTION OF THE COMMON FUND NEGOTIATIONS AND THE IMPORTANCE OF THE COMMON FUND TO PROGRESS ON WORK ON INDIVIDUAL PRODUCTS. IT CONSIDERS IT IS UP TO THE SECRETARY GENERAL, IN THE LIGHT OF THE CONSULTATIONS HE HAS HELD, TO FIX A DATE FOR A RESUMED CONFERENCE AND TO PREPARE IT BY ISSUING ADEQUATE DOCUMENTATION. GROUP B CONSIDERS IT WOULD BE POSSIBLE TO FIND AN APPROPRIATE TWO WEEK PERIOD FOR SUCH A CONFERENCE DURING THE PERIOD REFERRED TO BY THE SYG.

5. THE UNITED STATES SET FORTH OUR VIEWS ALONG THE LINES OF REFTEL AND NOTED THAT IN THE PAST ALL PARTIES SEEMED TO HAVE BEEN AGREED THAT IT WOULD BE UNDESIRABLE TO RESUME THE CONFERENCE UNLESS THERE WERE AN ADEQUATE BASIS FOR REASONABLE EXPECTATION OF SUCCESS. THIS HAD BEEN REFLECTED IN THE GA DECISION, THE DECEMBER AHIC DECISION ASKING COREA TO UNDERTAKE CONSULTATIONS AND IN THE RECENT OECD HIGH-LEVEL GROUP ON COMMODITIES. THE U.S. CONTINUED TO CONSIDER THAT THIS POSITION WAS SOUND. WE SUGGESTED THAT GROUP B STATEMENT DEAL WITH THE SUBJECT IN THE FOLLOWING WAY: MR. CHAIRMAN, AT OUR DECEMBER MEETING WE ASKED THE SYG TO CONDUCT INFORMAL CONSULTATIONS TO TRY TO HELP LAY THE BASIS FOR A SUCCESSFUL RESUMPTION OF THE COMMON FUND NEGOTIATING CONFERENCE. WE WOULD LIKE TO EXPRESS OUR APPRECIATION TO HIM FOR THE ACTIVE WAY HE HAS DONE SO AND HIS AND THE SECRETARIAT'S IMAGINATIVE

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CONTRIBUTION TO SUBSTANTIVE THINKING ON THE SUBJECT. WE BELIEVE THAT THE INFORMAL DISCUSSIONS OF VARIOUS TYPES

WHICH HE HAS CONDUCTED HAVE RESULTED IN SOME PROGRESS IN
NARROWING SOME OF THE QUESTIONS AT ISSUE. NEVERTHELESS,
AND DESPITE THE BEST WILL ON ALL SIDES, OUR ASSESSMENT IS
THAT THE DIFFERENCES WHICH REMAIN ARE STILL SUFFICIENTLY
SIGNIFICANT TO PUT INTO QUESTION WHETHER THERE IS
REASONABLE ASSURANCE FOR A SUCCESSFUL OUTCOME TO A RE-
SUMED NEGOTIATING CONFERENCE. IN THIS SITUATION, WE
BELIEVE IT WOULD BE APPROPRIATE TO ASK THE SECRETARY
GENERAL TO SUGGEST THE BEST MEANS OF CONTINUING INFORMAL
CONTACTS TO TRY TO LAY A SOUND BASIS FOR A RESUMED
SESSION, AND NOT AT THIS TIME TO TAKE A DECISION WHETHER
AND WHEN TO RECONVENE THE NEGOTIATING CONFERENCE.

6. IN THE SUBSEQUENT DISCUSSION, THE EC INDICATED IT
WOULD BE CAUCUSING MONDAY, JULY 10 AND IN MEANTIME HAD
NO POSITION. FINLAND, AUSTRALIA, CANADA AND SWEDEN ALL
SUPPORTED STATEMENT ALONG LINES SUGGESTED BY HESSEL.
FINLAND EXPRESSED VIEW THAT U.S. POSITION AND
TEXT CONTAINED VALID POINTS BUT ARGUED THAT SETTING DATE
IS UNAVOIDABLE AT THIS TIME. THEY ARGUED ADVANTAGES OF
DOING SO WOULD BE TO AVOID HAVING ISSUE COME UP IN COW
WHERE IT WOULD BE POLITICIZED, AND WOULD ALSO HELP KEEP
IT OUT OF UNCTAD V.

7. MATTER WILL BE DISCUSSED FURTHER AT GROUP B CAUCUS
JULY 11, WITH AIM OF MAKING GROUP STATEMENT JULY 12. U.S.
MAY WISH MAKE SEPARATE STATEMENT IF GROUP B STATEMENT
INADEQUATE. WILL REPORT FURTHER BY TELEPHONE AFTER
JULY 11 MEETINGS. VANDEN HEUVEL

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